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General Assembly Budget Ticker

Here are some details on state revenue intake for the month of January, as released by the State Budget Agency this past week:

Total revenues:

- Up \$39.6 million (4.1 percent) over January last year
- \$82.5 million (7.6 percent) below forecast

Sales tax:

- Up \$68.4 million (19.0 percent) above January last year
- \$37 million below forecast

Individual income tax:

- Down \$8.2 million (1.9 percent) below January last year
- \$15.8 million below forecast

Corporate income tax:

- Down \$20.7 million (61.4 percent) below January last year
- \$13.4 million below forecast

Riverboat (not previously included in the Property Tax Replacement Fund):

- Added \$34.5 million to the bottom line
- \$0.6 million below forecast

Other:

- Down \$34.4 million (27.7 percent) below January last year
- \$15.7 million below forecast

Cigarette tax:

- Up \$20.2 million (531.6 percent) above January last year
- \$2.7 million below forecast

Look here weekly for future updates as the budget debate wages on in the General Assembly.

ROBERT GARTON

THIS WEEK IN THE LEGISLATURE

Week 5

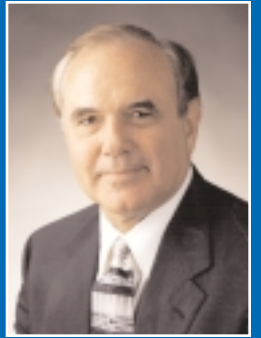
February 6, 2003

Dear Friends,

America experienced a poignant reminder this week of the special role that science and technology plays in each of our lives, as we reflected on the loss of the space shuttle Columbia. Not only were the astronauts lost as heroes of our country, but also as leaders who were taking us into the future in physics, biotechnology, and navigation into unknown worlds.

Children all over the world look in awe at our space explorers, holding a deep respect and drawing profound inspiration. Perhaps Indiana should also look to these individuals for inspiration, as we strive to become a leader in science, technology, and development.

I salute these brave souls who gave their all for the future of not only our country, but for civilization. My thoughts and prayers go out to the families of those lost, as well as those mourning the loss of their friends and colleagues.



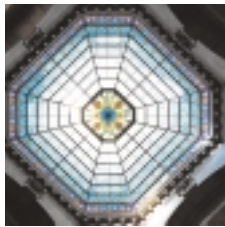
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THIS WEEK IN THE INDIANA LEGISLATURE

INDIANA IS NOT ALONE IN FISCAL CONCERNS

Legislation continues to pour through the General Assembly this week, but it is evident that the legislative sieve is much tighter this year than ever. The state's fiscal crisis is weighing in on the decisions cast by every legislator. This is demonstrated even in the number of bills filed in the Senate. Only 557 bills were introduced to the Senate for this "long" session, making it the sixth lowest bill count in the last 16 years. This shows that many bills may have not been filed, very likely due to the fact that no new money exists for new or expanded programs.

Indiana is in a fiscal crisis, and that is no secret; however, we are not alone. A late January survey conducted by the National Conference of State Legislatures (NCSL) revealed that more than two-thirds of the states are facing gaps in their FY 2003 budgets.

As we look toward the development of the upcoming budget, things do not look immediately brighter. State tax revenues in January - typically a big revenue month

when holiday sales taxes are remitted - came in \$82.5 million below forecast, erasing half of the gains made in the previous six months. In the first seven months of FY03, Indiana has taken in \$377.6 million (7.3 percent) more in tax collections than it did in the same period a year ago. However, the entire increase can be attributed to tax

STATE	FY 2003 Deficit	FY 2004 Deficit
Indiana	\$300 million	\$850 million
Illinois	\$200 million	\$2.8 billion
Kentucky	\$220 million	\$360 million
Michigan	\$600 million	\$1.8 billion
Ohio	\$1.94 billion	\$2 billion

This chart shows some of the problems being encountered in Indiana and the surrounding states, according to the *Center on Budget and Policy Priorities*.

increases enacted last June: \$137 million from the cigarette tax; \$170 million from the gaming tax; and \$71 million from the sales tax.

The revenue outlook for the remainder of the fiscal year does not reflect confidence for strong revenue recovery across the country. Thirty states and the District of Columbia are concerned about revenue performance, and seven are outright pessimistic.

Even in the Midwest, Indiana is not alone when it comes to projected budgetary deficits. According to the Center on Budget and Policy Priorities, Indiana's problems may actually be some of the smallest in the region.

States with budget overruns seem to have a lot of the same problems. Thirty-seven states reported in January that spending is exceeding budgeted levels. Thirty-two of these report that Medicaid or health care programs are over-budget.

Twenty-nine states have imposed across-the-board budget cuts. Nine states have cut elementary and secondary education, and 13 states have cut funding to their universities and colleges. Thirteen states have made cuts to Medicaid programs and nine have reduced local revenue sharing. State employees also have been affected in eight states through layoffs, while others have made cuts through travel bans and furloughs.

One of our biggest goals will be to maintain funding for education and other programs that are necessary for Hoosier families, while not increasing the tax burden on Hoosiers. Twenty-four states report that either the governor or a member of the legislature has offered tax increase proposals. Some states report that it is too soon to know if tax increases will be considered. Instead of raising taxes, Indiana simply needs to learn to live within its means by adhering to a strict diet.

As you can see, the problem is not confined to just our state. No one person or one agency is to blame for the state's situation, and no one person or agency could have done anything to prevent it. Furthermore, there's no one simple solution that will fix the problem overnight. Economic cycles just caught a number of states with their hand in the cookie jar, and Indiana was no exception. Now, we just have to put the lid on the jar, and resist the urge to cry over spilled milk.

STATES EXPERIENCING BUDGET SHORTFALLS:

Alaska: \$100 million overbudget on Medicaid; fire suppression \$20 million; other programs \$20 million

California: Corrections, Medi-Cal and state operations costs; estimated shortfall for 2003-2004 (18 months) is an incredible \$34.8 billion, according to the office of Governor Davis.

Connecticut: Of \$93.4 million in total net deficiencies currently projected, \$68.5 million is attributable to Medicaid.

Florida: \$1.1 billion of recurring program costs in the 2003 budget are financed with non-recurring general revenue.

Georgia: Medicaid has a \$417 million shortfall.

Iowa: \$50 million in Medicaid.

Massachusetts: Despite having restricted Medicaid eligibility, which will include cutting 50,000 recipients, the state is facing a gross Medicaid deficit of \$300 million+. Other anticipated deficiencies are expected to range from \$100 million to \$150 million.

Virginia: Personal property tax relief, Medicaid, etc. have created a nearly \$2 billion estimated deficit over the next 2 years.